

Message Text

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PAGE 01 THE HA 03992 201011Z
ACTION EUR-12

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E.O. 11652: NA
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SUBJECT: PROPOSED LEGISLATION ON COLLECTIVE PART OF EXCESS
PROFIT SHARING SCHEME (VAD)

REF: (A) THE HAGUE 3636, (B) THE HAGUE A-58, (C) THE HAGUE 2410

1. AS ANNOUNCED IN VAN AGT ADMINISTRATION'S ECONOMIC MEMO-
RANDUM (REF A, THE COLLECTIVE PART OF THE EXCESS PROFIT
HARING SCHEME (VAD) IS NOW IN PREPARATION FOR PRESENTATION
TO THE STATE COUNCIL AND THEN TO PARLIAMENT. THE PROPOSED
COLLECTIVE LEGISLATION WOULD PROVIDE FOR A 12 PERCENT LEVY
ON "EXCESS PROFITS/ (DEFINED IN REF C) TO BE DEPOSITED IN A
COLLECTIVE FUND FOR IMPORVEMENT OF WORKERS' PENSIONS. THE 12
PERCENT COLLECTIVE RATE, WHICH WOULD NOT BE DEDUCTIBLE FOR
CORPORATE TAX PURPOSES, WOULD EQUAL THE RATE FOR THE INDIVIDUAL
PART OF THE VAD PRESENTED TO PARLIAMENT IN APRIL (REF C).
AS A CONSEQUENCE THE TOTAL VAD SCHEME, IF PASSED, WOULD
PROVIDE FOR A TOTAL LEVY AMOUNTING TO 24 PERCENT, AS COMPARED
TO THE 20 PERCENT (PLUS AN ANNUAL ONE PERCENT GROWTH
OVER A FOUR YEAR PERIOD) PROPOSED BY THE PREVIOUS
DUTCH GOVERNMENT. TO ACCOMMODATE COMPANIES WITH
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PAGE 02 THE HA 03992 201011Z

LIMITED ASSETS, THE MAXIMUM LEVY UNDER THE PROPOSED
COLLECTIVE PART HAS BEEN SET AT THREE PERCENT OF FISCAL
PROFITS. SINCE THE MAXIMUM AMOUNT TO BE PAID UNDER THE
INDIVIDUAL PART OF THE VAD SCHEME IS SET AT THREE PERCENT
OF THE BASIS WAGE OF THE INDIVIDUAL EMPLOYEE, TOTAL VAD
CONTRIBUTIONS OF MANY COMPANIES WOULD BE LESS THAN 24
PERCENT.

2. LEVIES FROM THE COLLECTIVE PART OF VAD WOULD GO TO A FUND ADMINISTERED BY A COMMITTEE OF 20 MEMBERS, 12 OF WHOM WOULD BE NOMINATED BY THE UNIONS AND EIGHT BY THE GOVERNMENT. IN ADDITION THE GOVERNMENT WOULD APPOINT A DELEGATE TO ADVISE THE COMMITTEE. THE COLLECTIVE VAD FUND WOULD BE USED TO FACILITATE EARLY RETIREMENT SCHEMES AND GENERALLY TO IMPROVE WORKERS PENSIONS.

3. IN ITS ANNOUNCEMENT THE GOVERNMENT SAID VAD REPRESENTS THE RIGHT OF EMPLOYEES TO HAVE A SHARE IN COMPANY EXCESS PROFITS AND WOULD CONTRIBUTE TO THE GOVERNMENT'S GOAL OF ACHIEVING A MORE ACCEPTABLE SHARING OF INCOME AND WEALTH. IT NOTED THAT THE COLLECTIVE PART WOULD INSURE THAT SOME VAD BENEFITS TO ALL EMPLOYEES AND NOT JUST TO EMPLOYEES OF COMPANIES WITH EXCESS PROFITS.

4. COMMENT:THE VAN AGT GOVERNMENT'S PROPOSAL ON THE COLLECTIVE PART OF VAD REPRESENTS A SUBSTANTIAL EFFORT TO REACH AN ACCOMMODATION WITH THE TRADE UNIONS. CONSEQUENTLY THE STRONGEST CRITICISM HAS THUS FAR COME FROM THE FEDERATION OF NETHERLANDS INDUSTRIES WHICH HAS CHARACTERIZED THE COLLECTIVE VAD PROPOSAL AS CONTRARY TO THE GOVERNMENT'S PROFESSED PROGRAM TO SIMULATE PRIVATE SECTOR INVESTMENT AND EMPLOYMENT.

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PAGE 03 THE HA 03992 201011Z

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